

Auditing Procedures Report

[Reset Form](#)[Email](#)

Issued under Public Act 2 of 1968, as amended.

Unit Name Dickinson Cty Solid Waste Mgmt Authority	County DICKINSON	Type AUTHORITY	MuniCode 22-7-507
Opinion Date-Use Calendar Jun 20, 2008	Audit Submitted-Use Calendar Jun 30, 2008	Fiscal Year-Use Drop List	2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☒ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 0.00
General Fund Expenditure:	\$ 0.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 0.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) David	Last Name Knoke	Ten Digit License Number 1101010481		
CPA Street Address 301 S Stephenson Avenue	City Iron Mountain	State MI	Zip Code 49801	Telephone +1 (906) 774-0833
CPA Firm Name Fleury Singler & Company, PC	Unit's Street Address W-7702 US-2	City Quinnesec	LU Zip 49876	

DICKINSON COUNTY SOLID WASTE
MANAGEMENT AUTHORITY

December 31, 2007

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9
COMPLIANCE AND INTERNAL CONTROL REPORT	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	13

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dickinson County Solid Waste
Management Authority
Quinnesec, Michigan

We have audited the accompanying basic financial statements of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of December 31, 2007 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's Board of Trustees and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of December 31, 2007, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, on our consideration of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.


Certified Public Accountants
Iron Mountain, Michigan

June 20, 2008

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Dickinson County Solid Waste Management Authority (the "Authority") is a joint venture of eleven municipalities located in Dickinson County: Cities of Iron Mountain, Kingsford, and Norway, Charter Township of Breitung, the Townships of Breen, Felch, Norway, Sagola, Waucedah, and West Branch, and the County of Dickinson. The primary role of the Authority is to provide for the management of solid waste for the residents of Dickinson County. This role is outsourced under a contract to the Great American Disposal Company (GAD). The Authority's contract with GAD is effective from June 10, 2006 to June 9, 2016.

Within this section of the Authority's annual financial report, the Authority's management provides a narrative discussion and analysis of the financial activities of the Authority for the year ending December 31, 2007. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

The statement of net assets and the statement of revenues, expenses, and changes in net assets provide information about the financial activities of the Authority. The statement of cash flows presents detailed information about the changes in the Authority's cash position during the year. The notes to the financial statements disclose the Authority's significant accounting policies and additional information related to certain amounts included in the statement of net assets.

Financial Highlights

The amounts to be charged to the participating members will be equal to or less than the Authority's cost of providing solid waste transfer services. The Authority prepares an annual budget to measure the ability to reduce total costs to its members (as opposed to the ability to accumulate financial resources). The fees charged to members and others (operating revenues net of other income) in 2007 were \$872,485. Disposal costs, net of a monthly deduction, included in operating expenses in 2007 were \$907,677. 99% of these costs were paid to GAD. The Authority currently pays GAD \$61.23 per ton of solid waste processed. This rate is subject to an annual escalation clause.

Net assets were comprised of 1) capital assets of \$768,308, which include property and equipment net of accumulated depreciation and 2) unrestricted assets of \$424,661, the portion available to maintain the Authority's daily activities. There was one capital asset acquisition in 2007 and the Authority did not incur debt in 2007.

Financial Analysis

The following table presents condensed information about the Authority's financial position compared to the prior year:

	December 31,		Change	
	2007	2006	Amount	Percent
Current assets	\$ 486,470	\$ 586,080	\$ (99,610)	-17.00%
Capital assets	768,308	754,890	13,418	1.78%
Total assets	1,254,778	1,340,970	(86,192)	-6.43%
Current liabilities	61,809	62,028	(219)	-0.35%
Total liabilities	61,809	62,028	(219)	-0.35%
Net assets				
Invested in capital assets	768,308	754,890	13,418	1.78%
Unrestricted	424,661	524,052	(99,391)	-18.97%
Total net assets	1,192,969	1,278,942	(85,973)	-6.72%

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis (continued)

The following table presents condensed information about the Authority's revenues and expenses compared to the prior year:

	December 31		Change	
	2007	2006	Amount	Percent
User fees	\$ 872,485	\$ 931,447	\$ (58,962)	-6.33%
Other income	501	343	158	44.76%
Total operating revenue	872,986	931,790	(58,804)	-6.31%
Disposal	907,677	924,074	(16,397)	-1.77%
Administrative and other	64,484	63,666	818	1.28%
Operating and maintenance	5,683	3,892	1,791	46.02%
Total operating expenses	977,844	991,632	(13,788)	-1.39%
Interest income	18,885	18,036	849	4.71%
Total nonoperating revenue	18,885	18,036	849	4.71%
Net loss	\$ (85,973)	\$ (41,806)	\$ (44,167)	-105.65%

Budgetary Highlights

The adopted budget for 2007 forecasted expenses to exceed revenues by \$40,700. The 2006 adopted budget forecasted expenses to exceed revenues by \$37,700. For ongoing operations, costs will be dependent on the volume of solid waste hauled. In recent years, the Authority reduced the rate per ton they are charging customers in an effort to reduce the balance in net assets. The 2008 budget forecasts expenses to exceed revenues by \$92,000.

Capital Assets

During 2007 the Authority purchased a new truck scale for \$48,964. Assets totaling \$15,962 were disposed of during 2007 and included office equipment no longer in use. The Authority's investment in capital assets, net of accumulated depreciation as of December 31, 2007, was \$768,308.

Contacting the Authority's Management

This financial report is intended to provide members of the Authority with a general overview of the Authority's finances and to show accountability for the money it receives from members and other sources. If you have questions about this report or need additional information, we welcome you to contact the Authority's office at 906-779-5868.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF NET ASSETS DECEMBER 31, 2007

Assets

Cash and equivalents	\$ 41,489
Investments	350,000
Accounts receivable	
Governmental units	23,678
Other	66,134
Prepaid expenses	5,169
Capital assets	<u>768,308</u>
Total assets	1,254,778

Liabilities

Accounts payable	61,752
Other liabilities	<u>57</u>
Total liabilities	<u>61,809</u>

Net assets

Invested in capital assets	768,308
Unrestricted	<u>424,661</u>
Total net assets	<u>\$ 1,192,969</u>

See accompanying notes to financial statements.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2007

Operating revenues

Charges for services - User fees	\$ 872,485
Other income	501

Total operating revenues 872,986

Operating expenses

Disposal	907,677
Recycling	2,097
Equipment rental	3,586
Depreciation	35,546
Administration	
Insurance	13,134
Office	121
Payroll	5,738
Postage	64
Professional fees	9,006
Service charges	53
Telephone	822

Total operating expenses 977,844

Operating (loss) (104,858)

Non operating revenue

Interest income	18,885
-----------------	--------

Total non operating revenue 18,885

Net (loss) (85,973)

Net assets - Beginning of year 1,278,942

Net assets - End of year \$ 1,192,969

See accompanying notes to financial statements.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities	
Cash received from members and other governmental units	\$ 336,358
Cash received from other customers and sources	521,664
Cash payments to suppliers for goods and services	(936,869)
Cash payments to employees for services	<u>(5,681)</u>
Net cash (used in) operating activities	(84,528)
Cash flows from capital and related financing activities	
Purchases of capital assets	<u>(48,964)</u>
Net cash (used in) capital and related financing activities	(48,964)
Cash flows from investing activities	
Investment income	<u>18,885</u>
Net cash provided by investing activities	18,885
Net (decrease) in cash	(114,607)
Cash and equivalents - Beginning of year	<u>506,096</u>
Cash and equivalents - End of year	<u><u>\$ 391,489</u></u>

Reconciliation of operating (loss) to net cash (used in) operating activities	
Operating (loss)	\$ (104,858)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities	
Depreciation	35,546
Change in assets and liabilities	
(Increase) in accounts receivable	(14,964)
(Increase) in prepaid expenses	(32)
(Decrease) in accounts payable	(277)
Increase in other liabilities	<u>57</u>
Net cash (used in) operating activities	<u>\$ (84,528)</u>

See accompanying notes to financial statements.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

Dickinson County Solid Waste Management Authority (Authority) was created under the provisions of Act 233, Public Acts of Michigan, 1955, as amended in January 1993. The incorporating Municipalities creating the Authority are the County of Dickinson, the Cities of Iron Mountain, Kingsford and Norway, the Charter Township of Breitung, and the Townships of Breen, Felch, Norway, Sagola, Waucedah and West Branch, each located in the County of Dickinson, State of Michigan. The Authority consists of a Board of Trustees comprised of seven representatives from the Municipalities. The Authority was formed to provide for the management of solid waste for the residents of Dickinson County.

The financial statements of the Authority are prepared on the accrual basis of accounting and economic resources measurement focus. The Authority reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In preparing the financial statements, the Authority has applied all Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, unless those standards conflict with GASB pronouncements.

Reporting Entity - Government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for an entity as a whole.

Fund Accounting - Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities.

The Authority uses one **Proprietary Fund**:

Enterprise Fund - To account for operations (1) that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting - The accrual basis of accounting is used by the Authority, in which revenues are recorded when earned and expenses are recorded when the related liabilities are incurred. Operating income includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues are charges to customers and members for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non operating.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents - Cash and equivalents consist of checking and saving accounts and cash on hand. For purposes of the statement of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents which are carried at cost.

Investments - Investments are recorded at fair value, based on quoted market prices, and include certificates of deposit.

Accounts Receivable and Concentration of Credit Risk - The Authority extends credit to customers and members residing or operating within Dickinson County.

Prepaid Expenses - Prepaid expenses record payments that benefit future reporting periods and are also reported on a consumption basis.

Capital Assets - All capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Capital assets are depreciated using the straight-line method.

Estimated useful lives, in years, for depreciable assets are as follows:

Building	40 years
Equipment	5-20 years

Net Assets - Unrestricted net assets represent the amounts available for budgeting future operations. Invested in capital assets represents capital assets acquired by the Authority.

NOTE B - DEPOSITS AND INVESTMENTS

The Authority's board of directors approves and designates authorized financial institutions in which funds may be deposited.

Petty Cash - The Authority maintains a \$200 petty cash fund.

Deposits and Investments - The bank balances, which include checking and savings accounts and certificates of deposit, totaled \$505,939, all of which was covered by federal depository insurance. Investments are categorized to indicate the level of risk assumed by the Authority at December 31, 2007. Risk Category 1 includes those investments that are insured, registered, or held by the Authority or its agent. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department in the Authority's name. Category 3 includes investments that are held by the counterparty or the counterparty's trust department but not in the Authority's name.

NOTE C - RECEIVABLES

Receivables include amounts due from customers and members primarily for waste management services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. There has been no allowance established as of December 31, 2007, as all receivables are deemed collectible.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Disposals	Balance December 31, 2007
Capital assets not being depreciated				
Land	\$ 133,438	\$ -	\$ -	\$ 133,438
Capital assets being depreciated				
Building	\$ 731,713	\$ -	\$ -	\$ 731,713
Land improvements	30,971	-	-	30,971
Equipment	371,811	48,964	15,962	404,813
Subtotal	1,134,495	48,964	15,962	1,167,497
Less accumulated depreciation for				
Building	(245,844)	(18,219)	-	(264,063)
Land improvements	(3,354)	(353)	-	(3,707)
Equipment	(263,845)	(16,974)	(15,962)	(264,857)
Subtotal	(513,043)	(35,546)	(15,962)	(532,627)
Net capital assets being depreciated	\$ 621,452	\$ 13,418	\$ -	\$ 634,870
Total capital assets - net of depreciation	\$ 754,890	\$ 13,418	\$ -	\$ 768,308

NOTE E - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator submits to the Board a proposed operating budget for the calendar year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenses are budgeted by classification.
4. Budget revisions at this level are subject to final review by the Board. There were no budget amendments during 2007.
5. The Administrator submits a report to the Board each month during the year which compares year-to-date actual revenues and expenses with budgeted amounts.

NOTE F - ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

A material part of the Authority's business is dependent on a single customer/related party, which could have a material effect on the Authority. For the year ended December 31, 2007, \$357,517 (41%) of revenues and \$897,266 (99%) of disposal expenses were attributable to the Great American Disposal Company (GAD). As of December 31, 2007, \$57,060 of accounts receivable was due from GAD and \$61,190 of accounts payable was due to GAD.

In addition, certain members of the Authority are also customers. For the year ended December 31, 2007, \$331,161 (38%) of revenues was attributable to those members. As of December 31, 2007, \$23,294 of accounts receivable was due from the members.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - SOLID WASTE SERVICES OPERATING CONTRACT

On April 11, 1996, the Authority entered into a long-term operating contract with Great American Environmental Services, Inc. (d/b/a The Great American Disposal Company), a Michigan corporation (the Contractor). The Contractor will operate a Solid Waste Processing Facility (SWPF) for and on behalf of the Authority, and will acquire, construct and operate a solid waste transfer facility on property owned by the Authority and shall lease all or a portion of such property from the Authority for such purpose. The Contractor assumed operating responsibility for the SWPF for the provision of the solid waste processing and disposal, recycling, yard waste disposal and household hazardous waste disposal services. It is agreed that the only solid waste which may be disposed of in a type II landfill, household hazardous waste and yard clippings generated within Dickinson County, may be accepted for processing at the SWPF and the transfer station. The Contractor further agrees to transport to and dispose of in a licensed disposal facility not less than all of the municipal and commercial solid waste and the household hazardous waste processed initially at the SWPF and the transfer facility in accordance with, and to operate programs respecting recyclable materials, yard clippings and household hazardous waste in accordance with and in compliance with any applicable federal, state and county laws and regulations, including the Dickinson County Solid Waste Management Plan and the applicable solid waste management plan under Act 451 or other relevant law of the county in which the solid waste is to be disposed as the same is in force and effect from time to time. If at any time the Contractor provides waste collection within Dickinson County as an ancillary part of its business, such waste collected shall be processed at the SWPF or the transfer station prior to transportation out of Dickinson County by the Contractor for disposal. Also the Contractor agrees the solid waste, recyclable materials, yard clippings and household hazardous waste shall be accepted at the SWPF and the transfer station on a drop-in basis from Dickinson County residents.

During the term of the contract, the Contractor shall be responsible for all maintenance and repairs to the SWPF. Upon termination of the lease, the SWPF shall be returned to the Authority in good repair and working order. The Contractor shall not suffer or give cause for the filing of any lien against the SWPF. They also shall not make any permanent improvements to the SWPF, including installing or removing fixtures, without the Authority's consent.

The Contractor shall be responsible for billing the customers in the name of the Authority, at rates established by the Authority, and for collecting payment for disposal and other services provided at the SWPF and the transfer station. Payments shall be made to the Authority. A bill for solid waste, recyclable materials, yard clippings and household hazardous waste delivered by Dickinson County residents on a drop-in basis shall be rendered and paid at the time of delivery, payment to be in cash or by personal check or otherwise as permitted by the Authority.

In consideration of the operation of the SWPF and the transfer facility and for other services to be performed by the Contractor under the contract, the Authority agrees to pay the Contractor at an agreed upon rate per ton of solid waste processed and disposed of in the landfill less \$1,050 per month of operation (original contract). A cost escalation factor shall be applied to adjust the rate/ton on each anniversary of the contract based on various factors. The monthly deduction shall be subject to renegotiation at agreed upon times by both parties.

The contract shall be for a period of ten years commencing sixty (60) days after issuance by the Authority or June 9, 2006. The contract may be extended if elected to do so and may be terminated at an earlier date by the Authority in the event of a default by the Contractor of its obligations under the contract.

The Contractor agrees that it will not assign nor subcontract the contract or any part hereof and that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit another corporation to consolidate with or merge into it unless the Authority determines otherwise.

The Authority currently compensates GAD at the rate of \$61.23 per ton of solid waste processed less \$1,050 per month for the period through December 31, 2007.

COMPLIANCE AND INTERNAL CONTROL REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Dickinson County Solid Waste Management Authority
Quinnesec, Michigan

We have audited the financial statements of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** financial statements that is more than inconsequential will not be prevented or detected by the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** in a separate letter dated June 20, 2008.

This report is intended for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Iron Mountain, Michigan

June 20, 2008

June 20, 2008

Board of Trustees
Dickinson County Solid Waste
Management Authority
Quinnesec, Michigan

Board of Trustees:

In planning and performing our audit of the financial statements of **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration.

This letter does not affect our report dated June 20, 2008, on the financial statements of **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY**.

CASH AND INVESTMENTS

The Authority's administrator has the authority to acquire new certificates of deposit or redeem matured certificates of deposit without prior Board approval. We recommend that the Authority formally approve, in the Board minutes, all transactions in regards to opening and closing of certificates of deposit and other bank accounts prior to the transactions' occurrence.

REVIEW OF CASH RECEIPTS AT THE FACILITY

The majority of the revenue received by the Authority is received by mail. However, some cash/checks are collected at the facility by an employee of the Great American Disposal Company (GAD). GAD collects the cash/checks, prepares receipt slips, and prints daily cash reports, which are remitted to the Authority regularly. The Authority is not currently reconciling the cash/checks received and the receipt slips to the daily cash reports. We recommend the Authority reconcile the above documents regularly.

REVIEW OF REVENUES AND EXPENSES

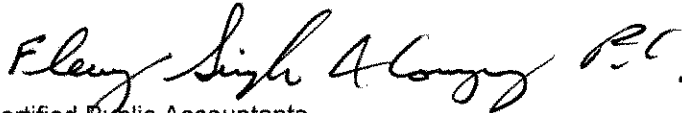
On a monthly basis, the Authority's administrator reviews the tonnage of waste collected versus the tonnage of waste removed from the facility. This review is not documented. We recommend the Authority reconcile and document the tonnage collected versus the tonnage removed on a monthly basis, including an analysis of tire and \$5.00 minimum revenues.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Trustees, and others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to acknowledge the excellent cooperation we received from the members of **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY**. If you have any questions or concerns, please feel free to contact us.

Very truly yours,

A handwritten signature in black ink, reading "Elmer Singh Ahluwalia P.C.", written in a cursive style.

Certified Public Accountants

DJK/jac